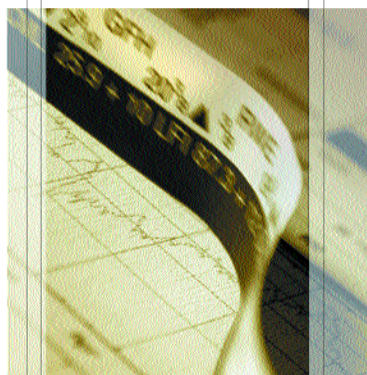


Financing Program Highlights

Capital Structure

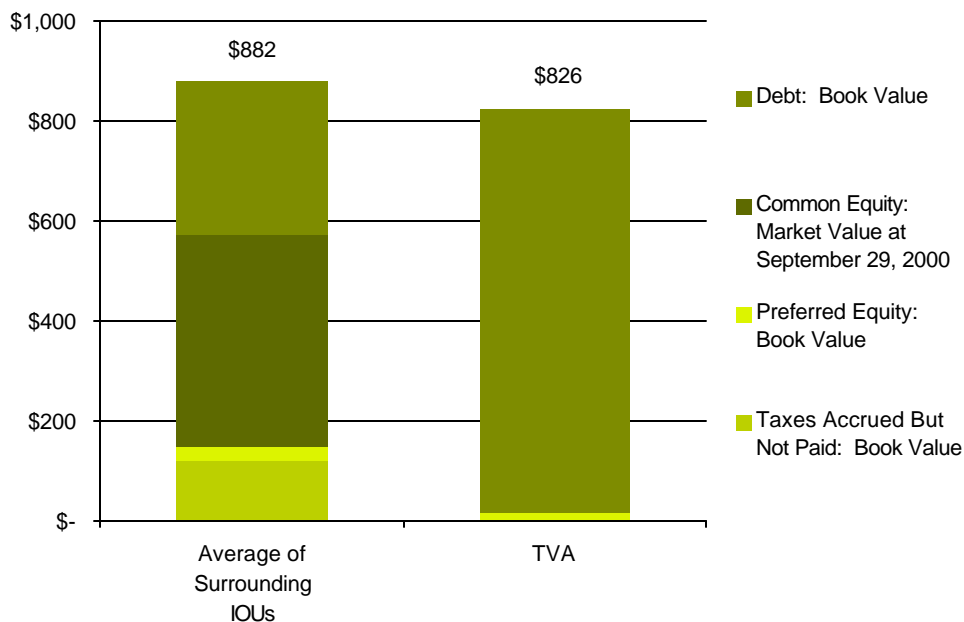
TVA is a wholly-owned corporation of the United States government whose primary objective is to generate prosperity for the people of the Tennessee Valley by supplying low-cost, reliable power, supporting a thriving river system, and stimulating economic growth. In addition to sound operational performance, TVA continues to make the decisions necessary to assure sound financial performance both now and in the future.



During the first 25 years of TVA's existence, the U.S. government made appropriation investments in TVA power facilities. In 1959, TVA received Congressional approval to issue bonds to finance its growing power program.

For the past four decades, TVA's power program has been required to be self-supporting. Unlike privately-held utilities which are primarily funded by internal cash generation, debt, and the issuance of common and preferred stock, TVA currently has only two means to fund its capital requirements—through internal cash generation and through borrowings (subject to a Congressionally-mandated \$30 billion limit).

*Market Value Capitalization¹ Per kW Nameplate Capacity
Average of 12 IOUs Surrounding TVA²*



¹ Sources: 1999 Company Annual Reports; TVA 2000 Annual Report.

² Surrounding IOUs include PECO Energy, FirstEnergy, Carolina Power & Light, Dominion, DTE Energy, Southern Company, FPL Group, Cinergy, Florida Progress, Ameren, Entergy, and American Electric Power.



Financing Goal and Objectives

TVA has established an overriding financing goal—to offer unique investment opportunities that provide exceptional value for both the investor and TVA. To achieve this mutually-beneficial goal, TVA has outlined six financing objectives:

- Obtain cost-effective financing rates
- Be customer driven
- Broaden the investor base
- Lengthen average maturity
- Maintain flexibility through optionality
- Build on the TVA yield curve

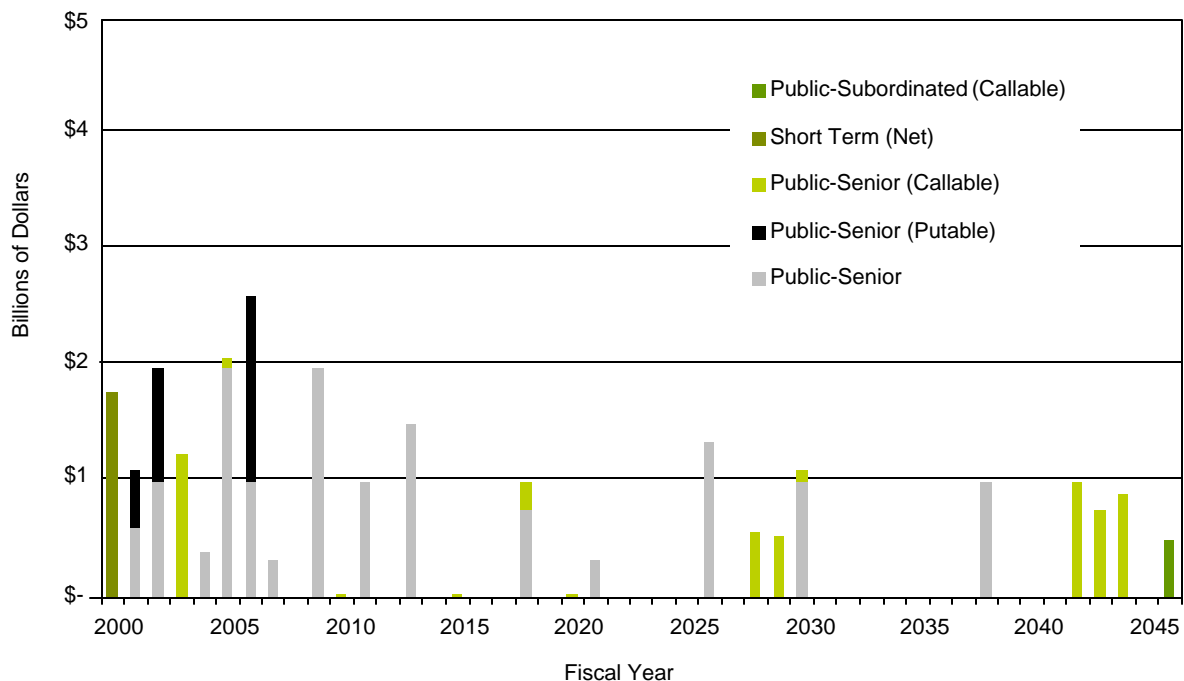
For the past several years, TVA has accessed capital markets through cost-effective long-term financing structures and has continued to expand its investor base by tapping the global and domestic debt markets. As TVA seeks to diversify its debt portfolio, it strives also to bring offerings that provide opportunities for investors to diversify their own holdings. Through a variety of formats, redemption features, maturities, currencies, par values, and interest payment frequencies, TVA's variety of debt securities meets a broad range of institutional and individual investors' needs around the world, producing a winning alliance between TVA and its investors.

Combining these features to create a diverse portfolio of offerings has produced many different debt securities—something for almost every investor. As of February 28, 2001, TVA had 33 long-term public debt issues outstanding.

TVA Debt Maturities

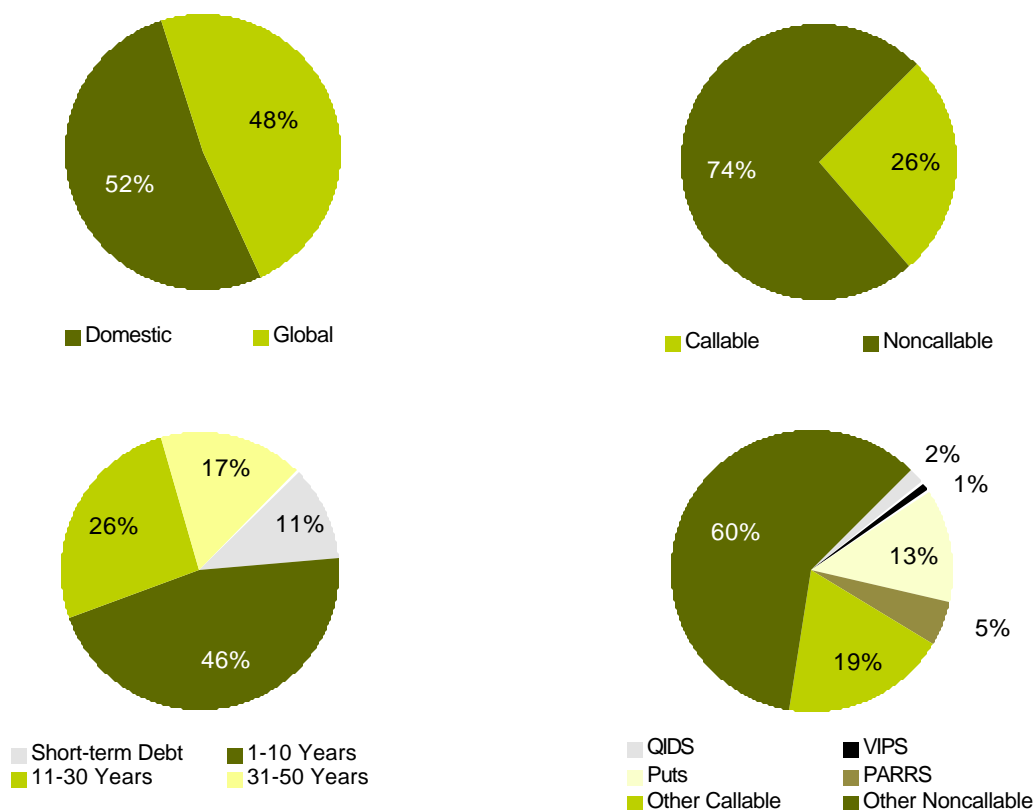
February 28, 2001

TVA offers debt securities that range from 2 to 50 years.



Diversification of TVA's Debt Portfolio

February 28, 2001



Customer-Focused Offerings

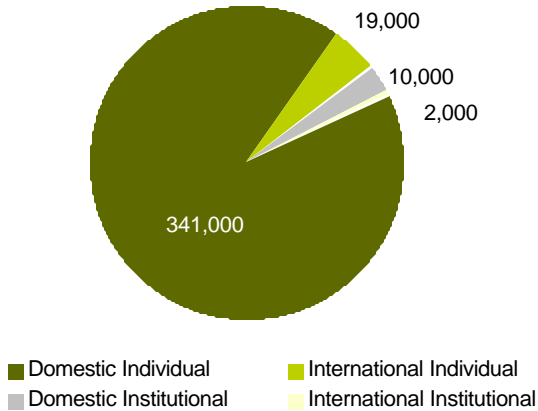
TVA offers a variety of debt securities that meet a broad range of institutional and individual investors' needs worldwide. Below are just a few examples of customer-driven offerings:

- Over the past five years, TVA has brought offerings to market focused on the needs of retail investors. By virtue of being issued in small denominations, having other features such as quarterly interest payments, and having certain state and local tax advantages, QIDS and PARRS securities address many needs of the retail investor.
- In June 2000, TVA offered its first issue to be marketed and sold over the Internet. TVA issued \$1 billion in 30-year global bonds which satisfied a robust international demand for high-quality, long-term securities.
- In September 1999, TVA attracted investors seeking high-quality, short-dated securities by offering \$1 billion in three-year global bonds.
- In December 1998, TVA offered £200 million (\$331 million) in 23-year sterling-denominated global bonds, attracting first-time investors in Europe. These bonds attracted investors who were seeking a safe, high-quality investment and a strong alternative to United Kingdom government bonds, which are similar in quality to U.S. Treasury bonds.

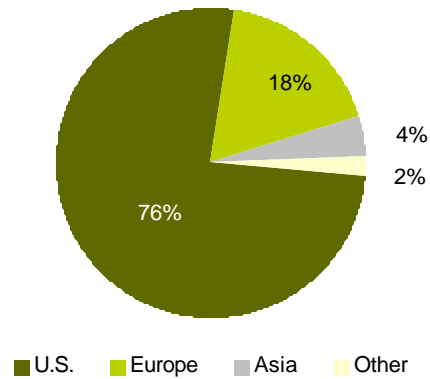
TVA's Investor Base

TVA issues a variety of debt securities in U.S. dollars and other currencies targeted to institutional and individual investors around the world, with TVA's 370,000 investors residing in all 50 states and in 35 countries.

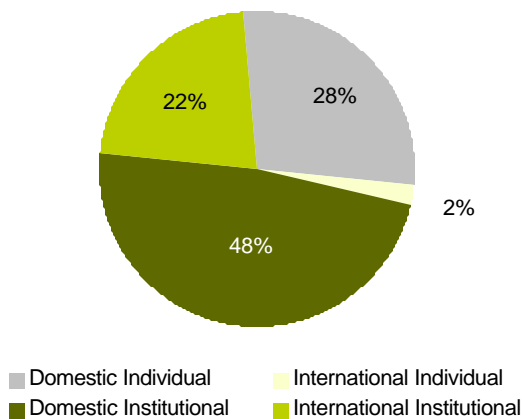
372,000 Investors



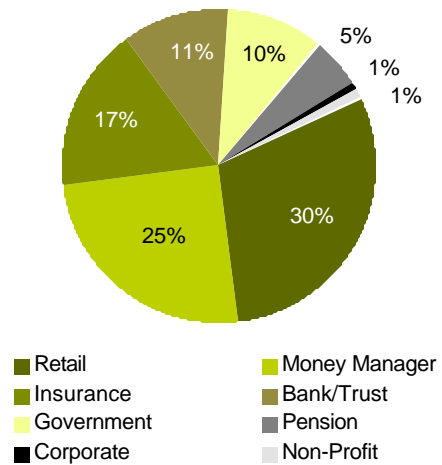
Investor Holdings By Region



Investor Holdings By Dollars



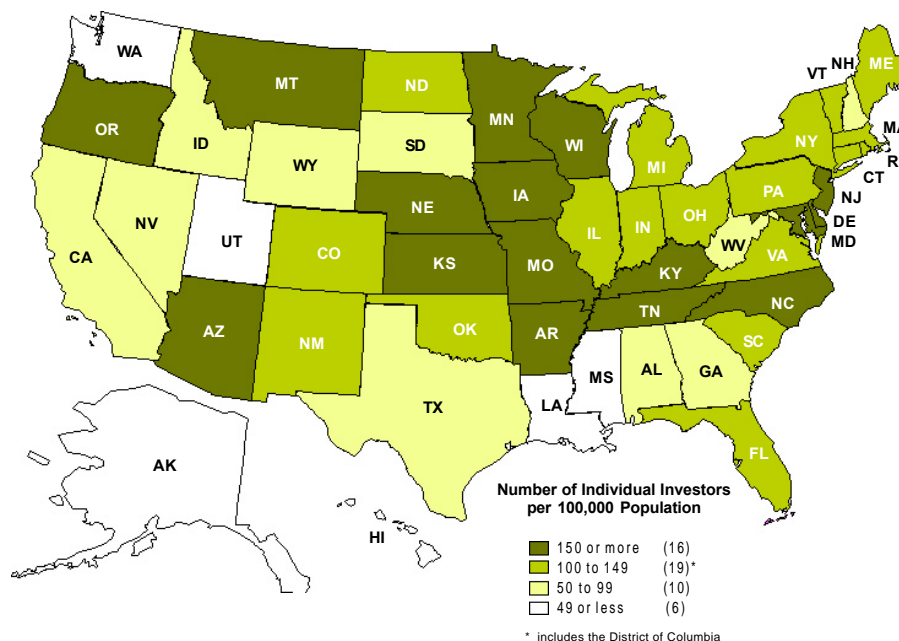
Investor Holdings By Type



Retail Bond Program

Attracting individual investors is an important facet of TVA's financing program. TVA has offered ten issues specifically designed to provide value for individual investors. Today, more than 120,000 individuals in all fifty states own TVA's retail securities. For all TVA securities, including retail offerings, more than 340,000 U.S. individual investors own TVA securities.

Concentration of TVA's 340,000 U.S. Individual Investors in All TVA Securities



Retail Offerings

2000 Series A – E QUINTS (Quarterly Income Tiered Securities)

\$250 Million issued February 22, 2000

- An offering of five securities of different maturities, coupons, and interest payment dates
- Investor demand prompted TVA to increase the amount of the initial offering by 25 percent
- Each series includes an estate feature, which allows the bonds to be redeemed at par upon the death of the bondholder, subject to certain limitations

Series	Amount	Coupon	Due	Callable
A	\$ 65,000,000	7.15%	1/18/05	1/18/03
B	35,000,000	7.40%	1/18/10	1/18/03
C	25,000,000	7.50%	2/18/15	2/18/04
D	25,000,000	7.65%	2/18/20	2/18/04
E	<u>100,000,000</u>	7.75%	3/18/30	3/18/05

\$250,000,000

Retail Offerings (continued)

1999 and 1998 PARRS (Putable Automatic Rate Reset Securities)

\$525 Million issued May 6, 1999, and \$575 Million issued June 11, 1998

- First-of-its-kind retail security
- A unique feature provides for the possible automatic downward reset of the interest rate after the first five years based on market conditions
- Provides flexibility for the investor - they can hold the bonds, return the bonds to TVA at par if and when the interest rate is reset, or trade the bonds on the New York Stock Exchange at any time
- Investor demand for the first issue of PARRS prompted TVA to increase the size of the offering from \$250 million to \$575 million
- Expanded retail investor base, reaching new investors in all fifty states

1998 Series A Estate Bonds

\$250 Million issued January 21, 1998

- First TVA bonds to offer an estate feature, which under certain circumstances allows the bonds to be redeemed at par upon the death of a bondholder
- Launched at \$150 million and increased to \$250 million as the result of strong investor demand
- Bonds mature in 2018 unless the call option is exercised on or after January 15, 2001

1996 QIDS (Quarterly Income Debt Securities)

\$500 Million issued April 19, 1996

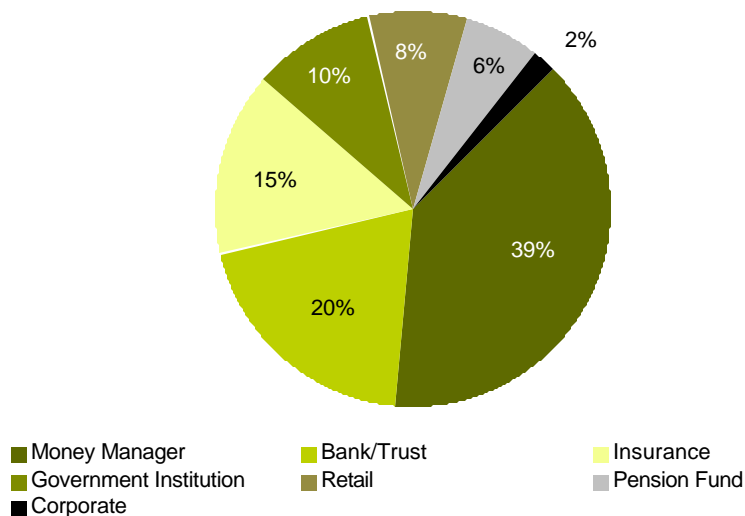
- Designed as a subordinated debt security to function like a preferred stock
- Issued 50-year bonds, callable after year five, in denominations of \$25 with fixed quarterly interest payments
- Listed on the New York Stock Exchange
- Established a large retail investor base, with investors in all 50 states
- Distributed through an 84-member syndicate

Global Bond Program

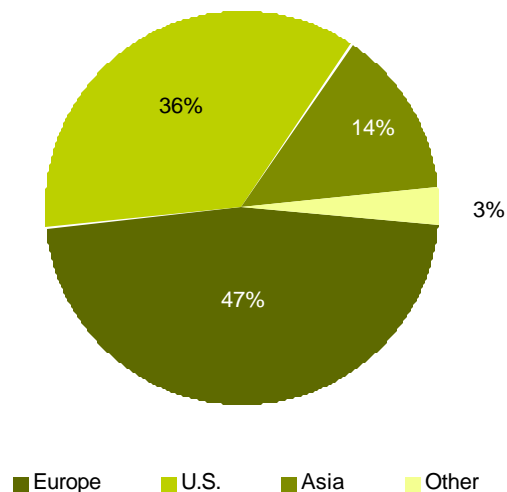
TVA's global bond program is a key component of its overall financing program. TVA entered the global debt markets in 1995 to further expand its investor base and lower its financing costs. Consistent with its overall financing strategy, TVA attracts global investors by offering debt issues with a variety of maturities and currencies—Deutsche Mark and Sterling in addition to U.S. Dollars—and solid trading performance in secondary markets.

Since the beginning of 1995, TVA has issued ten global bonds and reopened two for a total of more than \$12 billion. As of February 28, 2001, these global bonds represented 53 percent of TVA's long-term public debt offerings since 1995 and 48 percent of TVA's long-term debt outstanding.

Global Bond Distribution By Investor Type



Global Bond Distribution By Continent



Brief summaries of TVA's global bonds are as follows:

- TVA entered the global market in June 1995 when it launched a \$1 billion ten-year offering that doubled to \$2 billion as a result of investor demand. This set a record, at the time, for the largest-ever global bond offering by a U.S. agency. About two-thirds of the issue was placed with non-U.S. investors who had never before owned TVA securities.
- TVA returned to the global market later that same year in November to expand its investor base by simultaneously offering \$1 billion of five-year bonds and \$600 million of 30-year bonds. This was the first time a U.S. issuer simultaneously offered both intermediate and long-term global bonds. Offering two issues at once enabled TVA to meet different investment needs of its customers and, at the same time, offer high-quality investments with attractive liquidity. The bonds were listed on the Luxembourg, Hong Kong, Singapore, and New York Stock Exchanges.
- In September 1996, TVA formed an alliance with the world's largest non-sovereign borrower, European Investment Bank (EIB), to issue triple-A rated global bond issues at the same time, completing a back-to-back swap. TVA offered 1.5 billion in Deutsche Marks and EIB offered 1 billion in U.S. dollars through simultaneous launching, marketing, and pricing of the independent offerings. This created a ten-year benchmark Deutsche Mark issue that was a surrogate for German Bunds and established TVA as a non-dollar issuer.
- In August 1997, TVA reopened the 1995 30-year global bond for an additional \$750 million to establish a large, liquid benchmark issue, bringing the total to \$1.35 billion in 30-year global bonds.
- In March 1998, TVA offered \$1 billion of a 15-year structure to create a global benchmark for a 15-year maturity, attracting new investors through Asian and European distribution. European investors purchased about 60 percent of the bonds, the highest level of European distribution for a TVA global bond.
- In September 1998, TVA reopened the 1998 15-year global bond for an additional \$500 million to establish a large, liquid benchmark issue, bringing the total to \$1.5 billion in 15-year global bonds.
- In November 1998, TVA offered \$2 billion of ten-year global bonds targeted to international investors in Europe and Asia. Strong investor demand for high-quality, long-term, liquid securities allowed TVA to double the size of the original offering amount of \$1 billion.
- In December 1998, TVA offered £200 million (\$331 million) in 23-year sterling-denominated global bonds, attracting first-time TVA investors in Europe. These bonds attracted investors who were seeking a safe, high-quality investment and a strong alternative to United Kingdom government bonds, which are similar in quality to U.S. Treasury bonds.

- In September 1999, TVA offered \$1 billion in three-year global bonds, attracting investors seeking high quality, short-dated securities. About 65 percent of the bonds were sold to investors in the U.S., with 35 percent of the offering distributed largely to investors in Europe and Asia.
- In June 2000, TVA offered \$1 billion in 30-year global bonds, satisfying a robust international demand for high-quality, long-term securities. Nearly 25 percent of the bonds were distributed internationally. The issue was also the first TVA issue to be marketed and sold over the Internet.
- In January 2001, TVA offered \$1 billion in ten-year global bonds targeted to investors seeking high-quality paper. Approximately 40 percent of the bonds were distributed internationally.

International Recognition

TVA's global bond program has received recognition in the global financial community, as follows:

- Described by the *International Financing Review* in March 1998 as having "a reputation of being among the most innovative of the U.S. Agency borrowers."
- Named the "Best North American Borrower" by *Euromoney* in 1996 for innovative bond deals in U.S. and international markets.
- Declared one of the international "Deals of the Year" by *Institutional Investor* in 1996 for its innovative Deutsche Mark bond issue.
- Named "Debut Borrower of the Year" by *International Financing Review* in 1995.
- Called "The Most Outstanding Agency Borrower" by *Euroweek* in 1995.

Today, more than 25,000 investors have purchased TVA's global bonds, including institutional investors such as money managers, banks and trusts, insurance companies, and pension fund managers, as well as individual investors.

Fiscal Year 2000 Refinancing

TVA brought seven new offerings totaling \$2.25 billion to market in fiscal year 2000. TVA tapped the retail markets in February 2000 by issuing five callable bonds totaling \$250 million with maturities ranging from five to 30 years. In May, TVA issued 12-year bonds with a two-year put feature and a par value of \$750 million and, because of the favorable response, issued an additional \$250 million in July. The final bond offering of \$1 billion in June targeted global investors and re-established TVA's benchmark in the 30-year sector. Proceeds from the borrowings were used to refinance existing debt.

A Variety of Long-term Debt Offerings in FY2000

Dollars in Millions

<u>Date</u>	<u>Issue</u>	<u>Amount</u>	<u>Coupon</u>
2/00	5-year QUINTS	\$ 65	7.150%
2/00	10-year QUINTS	35	7.400
2/00	15-year QUINTS	25	7.500
2/00	20-year QUINTS	25	7.650
2/00	30-year QUINTS	100	7.750
5/00 & 7/00	12-year Put Bond	1,000	7.140
6/00	30-year Global Bond	<u>1,000</u>	<u>7.125</u>
Total		<u>\$ 2,250</u>	7.174% <i>Average</i>